

# Investment Office

## Special Review Implementation Plan Matrix

November 14, 2011

Recommendation	Summary	Proposed Next Steps			Status
		Program	Policy/ Regulation	Legislation	
<b>1. Placement Agent Resolution Program</b>	<ul style="list-style-type: none"> <li>Implement placement agent resolution program for investment fund managers.</li> </ul>	<ul style="list-style-type: none"> <li>INVO and Legal Office will evaluate certain investment managers who used placement agents and determine whether these firms have any fitness or fiduciary issues.</li> </ul>			<ul style="list-style-type: none"> <li>Under review.</li> </ul>
<b>2. Fees and Carry</b>	<ul style="list-style-type: none"> <li>Implement program to reduce management fees and reduce or eliminate other fees.</li> </ul>	<ul style="list-style-type: none"> <li>In the medium term, CalPERS will continue working with the Institutional Limited Partners Association and the general partners to address issues on an industry-wide basis.</li> <li>In the short term, all new “special account” investments made by CalPERS will be in funds whose managers are committed to this principle.</li> <li>INVO to provide quarterly status reports to the Investment Committee.</li> </ul>			<ul style="list-style-type: none"> <li>In progress.</li> <li>CalPERS participated in a recent ILPA meeting with leading general and limited partners. Additional outreach is planned.</li> <li>The Real Estate unit is completing negotiations with several separate account managers and these negotiations include fees.</li> <li>AIM staff is working to reduce management fees; met with several account managers to discuss next steps.</li> </ul>
<b>3. Modification of Investment Office Function</b>	<ul style="list-style-type: none"> <li>Separate functions of negotiations and monitoring within the Investment Office; preclude investment consultants from performing money management and consulting roles; preclude consultants from providing both transactions and monitoring advice.</li> </ul>	<ul style="list-style-type: none"> <li>INVO to perform an evaluation of existing protocols and resources and report to the Investment Committee proposed new policies or processes that address the issues.</li> </ul>			<ul style="list-style-type: none"> <li>In progress</li> <li>Reorganizations to separate and functionalize the negotiation and monitoring roles have been completed by Real Estate. Organization models to separate these roles have been developed for AIM and Global Equity and are pending position recruitment.</li> <li>The Role of the Private Asset Class Board Investment Consultant Policy was revised to prohibit Board consultants from advising on transactions or managing money.</li> </ul>

**Investment Office**  
**Special Review Implementation Plan Matrix**  
November 14, 2011

Recommendation	Summary	Proposed Next Steps			Status
		Program	Policy/ Regulation	Legislation	
4. <b>Advisory Board/Annual Meeting Expenses</b>	<ul style="list-style-type: none"> <li>Encourage investment partners to conduct meetings at the offices of the general partner or CalPERS; preclude staff from attending meetings at other locations; require general partners to bear the costs of these meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Obtain greater transparency and accountability from the partnerships in the expenditure of partnership assets, including advisory board and annual meeting expenses.</li> <li>Exercise judgment in selecting appropriate accommodations for events.</li> <li>Over the medium term, negotiate to eliminate the expenditure of partnership or fund assets for these types of expenses.</li> <li>Over the medium term, CalPERS to work with the Institutional Limited Partners Association and the general partners to address issues on an industry-wide basis.</li> <li>For solely managed accounts, require meetings to be conducted at general partner offices or the offices of CalPERS.</li> <li>Updates to be provided to the Investment Committee on a quarterly basis.</li> </ul>			<ul style="list-style-type: none"> <li>In progress.</li> <li>Developed a policy and clear guidelines for staff travel to partnership and advisory board meetings. Staff are prohibited from attending any entertainment at advisory board and annual meetings. Established an Investment Office compliance function and implementing a pre-clearance process for staff travel.</li> </ul>